country's commitment to helping people help themselves throughout the world. Today I honor all of the men and women who have selflessly and generously served our country in the Peace Corps.

TO CLARIFY THE TREATMENT FOR FOREIGN TAX CREDIT LIMITATION PURPOSES OF CERTAIN TRANSFER OF INTANGIBLE PROPERTY

HON. E. CLAY SHAW, JR.

OF FLORIDA

IN THE HOUSE OF REPRESENTATIVES

Thursday, March 6, 2003

Mr. SHAW. Mr. Speaker, along with my colleague, MARK FOLEY, I am introducing a bill that would eliminate a trap for the unwary that was inadvertently created with the Taxpayer Act of 1997. The bill would clarify the treatment for foreign tax credit limitation purposes of the income inclusions that arise upon a transfer of intangible property to a foreign corporation.

Section 367(d) of the Internal Revenue Code provides for income inclusions in the form of deemed royalties upon the transfer of intangible property by a U.S. person to a foreign corporation. Prior to the 1997 Act, these income inclusions under section 367(d) were deemed to be U.S.-source income and thus were not eligible for foreign tax credits. The international joint venture reforms included in the 1997 Act eliminated this special source rule and provided that deemed royalties under section 367(d) are treated as foreign source income for foreign tax credit purposes to the same extent as an actual royalty payment.

The amendments made by the 1997 Act were intended to eliminate the penalty that was provided by the prior-law deemed U.S. source rule and that had operated to discourage taxpayers from transferring intangible property in a transaction that would be covered by section 367(d). Prior to the 1997 Act, in order to avoid this penalty, taxpayers licensed intangible property to foreign corporations instead of transferring such property in a transaction that would be subject to section 367(d). The 1997 Act's elimination of the penalty source rule of section 367(d) was intended to allow taxpayers to transfer intangible property to a foreign corporation in a transaction that gives rise to deemed royalty payments under section 367(d) instead of having to structure the transaction with the foreign corporation as a license in exchange for actual royalty payments.

However, the intended goal of the 1997 Act provision is achieved only if the deemed royalty payments under section 367(d) not only are sourced for foreign tax credit purposes in the same manner as actual royalty payments, but also are characterized for foreign tax credit limitation purposes in the same manner as actual royalty payments. Without a clarification that deemed royalty payments are characterized for foreign tax credit limitation purposes in the same manner as an actual royalty payment, there is a risk in many cases that such deemed royalties would be characterized in a manner that leads to a foreign tax credit result that is equally as disadvantageous as the result that arose under the penalty source rule that was intended to be eliminated by the 1997 Act.

The bill I am introducing today provides the needed clarification that deemed royalties under section 367(d) are treated for foreign tax credit limitation purposes in the same manner as an actual royalty, ensuring that the penalty that was intended to be eliminated with the 1997 Act is in fact eliminated. Without this clarification, a taxpayer that transfers intangible property in reliance on the 1997 Act will find that its transfer is in fact effectively subject to the penalty that the taxpayer believed had been eliminated. Without the clarification, those taxpayers that have structured their transactions in reliance on the 1997 Act provision will be worse off than they would have been if the purported repeal of the penalty source rule had never occurred and they had continued to structure their transactions to avoid that penalty. This bill will achieve the intended goals of the 1997 Act and prevent a terrible trap for the unwary that has been inadvertently created.

HONORING MARY HAINING

HON. SCOTT McINNIS

OF COLORADO

IN THE HOUSE OF REPRESENTATIVES

Thursday, March 6, 2003

Mr. MCINNIS. Mr. Speaker, I would like to take this opportunity to recognize a family truly dedicated to developing leadership skills in the young people of their community. Mary Haining, and her family, of Delta, Colorado have shown exemplary dedication to the 4–H program through three generations of their family.

The 4–H program promotes leadership, citizenship, and community involvement in America's youth, qualities that the Haining clan personifies. Mary Haining began working with 4–H as a girl in Grand Junction, exploring her interests in entomology and rabbits. As a mother, she has served as a 4–H volunteer leader for thirty-eight years. Each of the Haining children was involved in 4–H for at least ten years. Mary Haining's daughter Joyce and son Ron are still active parent leaders of 4–H in Delta. Three of Mrs. Haining's grandchildren are studying sheep, beef, entomology, poultry, gardening, and archery through 4–H programs.

Mr. Speaker, it is a great privilege to recognize the Haining family for their long-time dedication to the 4–H cause. The Hainings, and the 4–H program which they have served devotedly, represent American ideals and the family values that make our communities strong.

TO REVOKE THE FEDERAL CHARTER GRANTED TO TREA

HON. GERALD D. KLECZKA

OF WISCONSIN

IN THE HOUSE OF REPRESENTATIVES

Thursday, March 6, 2003

Mr. KLECZKA. Mr. Speaker, today I am reintroducing a bill to revoke the federal charter that was to the Retired Enlisted Association (TREA) in 1992. TREA is an organization that has repeatedly targeted seniors with ''notch'' mailings that are deceptive, false, and designed to extort money from elderly persons, many of whom live on limited incomes.

The term ''notch'' refers to the difference in Social Security benefits paid to individuals born before 1917 versus those born between 1917 and 1921. This discrepancy arose because of a law enacted in 1972 providing automatic cost-of-living adjustments for Social Security recipients. However, the formula used to compute these annual increases was significantly flawed, causing benefits to rise faster than the rate of inflation.

In 1977, Congress corrected this defective formula (thereby reducing benefit levels) in order to prevent Social Security payments from skyrocketing. Had such revision not been made, many future beneficiaries would have received Social Security checks that were larger than their pre-retirement earnings. Moreover, the entire system would have become insolvent within 3 or 4 years.

The National Academy of Social Insurance, the General Accounting Office, the Social Security Administration, and the Congressionally-appointed Social Security Notch Commission have since concluded that the 1977 benefit changes were urgently needed and that Social Security beneficiaries born during the notch period are receiving correct benefit amounts. They also found that increasing benefits for ''notch babies'' would not only be unjustified, but would unnecessarily jeopardize the financial stability of the Social Security system.

Yet, despite these conclusive findings, TREA currently operates a multi-million dollar fundraising scheme based on the notch issue. This group tells seniors it is working hard to correct a notch ''problem'' that doesn't exist in an attempt to scam seniors out of their hard-earned money. Under the guise of advocating for legislative reform, TREA collected over $46 million from seniors over four years (1997 to 2000), and its moneymaking campaign continues.

In addition, the tactics used by TREA to solicit money from elderly individuals are deplorable. Included among TREA's numerous deceptive mailings are official-looking notch identification cards and registration forms that give the mistaken impression that this group has the authority to handle the distribution of Social Security benefits, TREA also sends solicitations containing replicas of Social Security checks, thereby reinforcing this image. Perhaps the most disturbing, the group's fundraising efforts have even included mailings that ask seniors to redraft their wills to make TREA a beneficiary.

In order to stop the exploitation of America's seniors, I am reintroducing a bill that would revoke the federal charter granted to TREA in 1992. While Congress rarely revisits a former charter decision, this group's persistent pattern of fleecing seniors clearly warrants such a step.

Federal charters are prestigious distinctions awarded to organizations with a patriotic, charitable, or educational purpose. Although intended as an honorific title, a federal charter implies government support for such organizations. Misleading America's seniors clearly violates the high standards held for chartered groups. Moreover, allowing TREA to maintain its charter would send a signal to the American public that Congress condones such behavior.

Six bipartisan members of the House Ways and Means Social Security Subcommittee have joined me today in support of this legislation-including Chairman SHAW and Ranking